

## Message Text

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 763

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 4 BRASILIA 6516

E. O. 11652: GDS

MUTAGS: PINT, PFOR, BR

SUBJECT: GEISEL SPEECH PRAISES ECONOMY, STRESSES SOCIAL PROGRAMS,  
PLAYS DOWN POLITICS

REF: BRASILIA 5981

BEGIN CONFIDENTIAL

SUMMARY: IN EAGERLY AWAITED SPEECH, PRESIDENT GEISEL STRUCK POSITIVE  
NOTE ON ECONOMY, ASSERTING CONTINUED GROWTH AND IMPROVEMENT ON  
PROBLEMS OF INFLATION AND BOP. HE GAVE CONSIDERABLE EMPHASIS TO  
PAST, PRESENT, AND PROJECTED SOCIAL PROGRAMS, CONFIRMING INCREASINGLY  
CLEAR GOVERNMENT STRESS IN THIS REGARD, AND REITERATED HIS  
CONCEPT OF "INTEGRATED" (ECONOMIC, SOCIAL, AND POLITICAL)  
DEVELOPMENT. FAR MORE SIGNIFICANT WERE HIS  
POLITICAL REMARKS, IN WHICH HE CONFIRMED THE TWO-  
PARTY SYSTEM, RATIFIED THE DISTENSION ALREADY OCCURRED, AND  
REITERATED HIS CALL FOR POLITICAL DEVELOPMENT, BUT ALSO REPEATED  
HE WILL RETAIN THE EXCEPTIONAL MEASURES, CHARGED SUBVERSIVE ACTION  
AND WIDESPREAD COMMUNIST INFILTRATION EFFORTS, AND DECLARED THAT  
DISTENSION IS NOT ONLY, NOR EVEN PREDOMINANTLY, POLITICAL. IN  
SUM, DISTENSION HAS BEEN SUBSTANTIALLY EMPTIED OF POLITICAL  
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MEANING, AND ITS PROPONENTS WARNED. END SUMMARY. END CONFIDENTIAL

BEGIN UNCLASSIFIED

1. GEISEL BEGAN BY NOTING HE THOUGHT IT OPPORTUNE TIME TO PROVIDE NATION UP-TO-DATE REVIEW OF GOVERNMENT ACTIONS.

A. REGARDING THE ECONOMY, HE NOTED THREE -FUNDAMENTAL CONCERNS": THE "ACCELERATED GROWTH OF THE ECONOMY", THE "REDUCTION OF INFLATION", AND THE "EQUILIBRIUM OF THE BALANCE OF PAYMENTS". WITH RESPECT TO THE FIRST, HE DECLARED "WE HAVE MANAGED NOT ONLY TO AVOID THE RECESSION AND ABNORMAL UNEMPLOYMENT THAT ARE OCCURRING TODAY IN INDUSTRIALIZED COUNTRIES, BUT TO ASSURE A REASONABLE GROWTH IN THE GNP, ALTHOUGH AT A RATE LOWER THAN IN RECENT YEARS". CITING GOVERNMENT EFFORTS TO DEVELOP INDUSTRIAL GROWTH, MINERAL PRODUCTION, AND AGRICULTURE AND LIVESTOCK, GEISEL POINTED TO "THE STRENGTHENING OF PRIVATE ENTERPRISE" AND "SPECIAL ATTENTION" TO SMALL AND MEDIUM-SIZED BUSINESS. HE NOTED PRIORITY HAD BEEN GIVEN TO CAPITAL GOODS INDUSTRIES, PETROCHEMICALS, FERTILIZERS, CELLULOSE, STEEL, AND NON-FERROUS METALS, REFERRED TO INFRA-STRUCTURE WORK IN COMMUNICATIONS AND TRANSPORTATION, AND MADE SPECIAL MENTION OF THE ENERGY PROGRAM, INCLUDING HYDRO-ELECTRIC DEVELOPMENT, PETROLEUM EXPLORATION, AND THE NUCLEAR AGREEMENT WHICH HAD GIVEN THE ENERGY PROGRAM A "DECISIVE IMPULSE". MENTIONING THE EFFORTS TO OVERCOME THE EFFECTS OF THE FLOODS IN THE NORTHEAST AND THE FROST IN THE SOUTH, GEISEL WENT ON TO STATE THAT THE "SURGE" OF INFLATION REGISTERED IN EARLY 1974 HAD BEEN "CONTAINED". NOTING THAT THE RATE FOR THE FIRST SIX MONTHS OF 1975 WAS 13.5 PERCENT COMPARED TO 20.8 PERCENT FOR THE SAME PERIOD THE YEAR BEFORE, GEISEL CALLED CURRENT INFLATION RATES STILL "NOT SATISFACTORY" BUT SAID THEY SHOW EFFORTS WERE SUCCESSFUL AND "WE ARE NOW ON THE DOWNWARD PHASE OF THE INFLATION PROCESS". ON BOP, GEISEL REFERRED TO 1974'S "STRONG GROWTH" IN EXPORTS WHICH WERE EXCEEDED BY THE "EXCEPTIONAL INCREASE IN IMPORTS (SPURRED BY A "COLOSSAL" (DESMESURADA) RISE IN PETROLEUM PRICES), AND NOTED THE DEFICIT WAS FINANCED "ALMOST IN ITS TOTALITY" BY RISK AND LOAN CAPITAL INFLOWS. CALLING THIS "TOLERABLE" IN A TRANSITION YEAR, HE SAID IT COULD NOT BE REPEATED FOR FEAR OF BURDENING THE COUNTRY UNDULY WITH DEBT, AND SAID THAT THUS "MULTIPLE NEW MEASURES" WERE ADOPTED FOR THIS YEAR, AIMED AT SUBSTITUTING AND CONTAINING IMPORTS AND INCREASING EXPORTS. "IN SPITE OF THE DIFFICULT WORLD SITUATION AND OF THE NECESSITY

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OF NOT DETERRING THE DEVELOPMENT OF THE COUNTRY, THE RESULTS OF THE FIRST HALF (OF THIS YEAR) ARE ENCOURAGING... (AND) IT IS ESTIMATED THAT IN THE SECOND HALF, TRADITIONALLY MORE FAVORABLE FOR EXPORTS, THE DEFICIT WILL BE REDUCED EVEN MORE".

B. REGARDING THE SOCIAL FIELD, GEISEL BEGAN WHAT WAS BY FAR THE SPEECH'S LONGEST SECTION BY NOTING THAT PREVIOUS POST-1964 GOVERNMENT HAD BEEN HAMPERED IN THIS AREA BY NEED TO ATTACK PRESS-ING NATIONAL ECONOMIC PROBLEMS. DESPITE CONSTRAINTS, HE

CONTINUED, SIGNIFICANT STEPS WERE TAKEN, SO THAT "THE RESULTS UP TO 1973, FAR FROM SHOWING A DEVELOPMENT PROCESS IN FAVOR OF A SMALL NUMBER, AS TENDENTIOUS CRITICISM CONTINUOUSLY ALLEGES, REVEAL OBJECTIVELY UNDENIABLE SOCIAL PROGRESS", INCLUDING INCREASED LITERACY, BROADENED SOCIAL-SECURITY COVERAGE, AND GREATER SCHOOL ATTENDANCE. HE HAD SOUGHT, HE WENT ON, TO INNOVATE IN THE SOCIAL AREA "WITHOUT PREJUDICE TO THE CONCERN OF PRESERVING ACCELERATED ECONOMIC GROWTH". HE CITED INCREASED WAGES FOR THE LOWEST PAID, HIGHER BUDGETS FOR EDUCATION, HELATH, AND SOCIAL SECURITY, THE CREATION OF A SOCIAL DEVELOPMENT SUPPORT FUNDS,NEW FUNDS FOR URBAN DEVELOPMENT, AND PLANS FOR UNIVERSITY CAMPUS AND HOSPITAL CONSTRUCTION, EDUCATIONAL REFORM, AND FINANCING FOR MORE STUDENTS. GEISEL ALSO NOTED STRUCTURAL REFORM WITHIN THE RELEVANT GOVERNMENT AGENCIES, THE SUBSTANTIAL (AND AHEAD OF SCHEDULE) MENINGITIS INOCULATION PROGRAM, EXPANDED AND MORE RAPID WELFARE BENEFITS,HELP ON HOUSING, WORK ON WATER SYSTEMS AND ON THE NATIONAL HEALTH PLAN, AND LABOR TRAINING. GIVING SPECIAL ATTENTION TO SALARIES AND NOTING THAT HIS GOVERNMENT HAD NOT ABANDONED "THE BASIC POSTULATES OF WAGE POLICY" DEFINED SINCE 1964 BUT HAD PROVIDED FLEXIBILITY TO THAT POLICY, GEISEL CALLED GOVERNMENT'S ACTION IN THIS REGARD "COURAGEOUS AND RATIONAL"; SAID THIS YEAR'S READJUSTMENTS HAD GIVN WORKER REAL GAIN IN PURCHASING POWER; AND, AFTER ACKNOWLEDGING DECLINES IN THE REAL VALUE OF THE MINIMUM WAGE HAD OCCURRED IN SOME YEARS OF THE LAST DECADE, STATED INCREASES IN AND REINFORCEMENT TO MINIMUM WAGE "SHOULD (TEM O SENTIDO DE) GIVE THE LOWEST PAID WORKER AN ANNUAL INCOME GREATER THAN THAT AT THE BEGINNING OF THE LAST DECADE, EVEN WITHOUT TAKING INTO ACCOUNT THE DIFFERENT FORMS OF INDIRECT SALARY". GEISEL ALSO EMPHASIZED GOVERNMENT CONCERN WITH THE "NATIONAL URBAN PROBLEM", AND NOTED THAT THE GOVERNMENT IS STUDYING JUDICIAL REFORM BASED ON THE "DIAGNOSTIC" PROVIDED BY THE FEDERAL SUPREME

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TO SECSTATE WASHDC PRIORITY 764

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 2 OF 4 BRASILIA 6516

C. IN THE POLITICAL AREA, GEISEL SAID, INTENSE ACTIVITY HAD BEEN CARRIED OUT IN "FULL LIBERTY", AND THE TWO PARTIES, DESPITE "PESSIMISTIC PROGNOSTICATIONS" FROM THOSE WHO DECRY THEIR "LACK OF AUTHENTICITY" AND CALL VARIOUSLY FOR THEIR EXTINCTION OR THEIR EXPANSION, HAD ENJOYED NOT ONLY GREAT ACTIVITY BUT, IN A WAY, REGATER REVITALIZATION, AIDED, "NO DOUBT, (BY) GOVERNMENT FAIR DEALING (LISURA) IN THE NOVEMBER 15 ELECTIONS, THE GREAT NUMBER OF NEW PARTY REGISTRATIONS, AND, PRINCIPALLY, THE RENOVATION OF MUNICIPAL, STATE, AND NATIONAL DIRECTORATES WHICH IS BEING CARRIED OUT" WITH AN EYE TO THE 1976 MUNICIPAL ELECTIONS.

D. FOREIGN POLICY, GEISEL DECLARED, "DEVELOPED NORMALLY". IN BRIEF PARAGRAPH ON THIS TOPIC, HE ONLY MENTIONED NUCLEAR ACCORD WITH GERMANY, BRAZIL'S ADHERENCE TO ANTARTIC TREATY, AND SIGNING OF VARIOUS AGREEMENTS WITH URUGUAY.

E. "WITH REGARD TO SECURITY", SAID GEISEL, "ORDER AND TRANQUILITY WERE MAINTAINED IN THE WHOLE COUNTRY". AFTER NOTING THAT IN VARIOUS PARTS OF THE COUNTRY MEMBERS OF ILLEGAL ORGANIZATIONS HAD BEEN ARRESTED AND SUBMITTED TO LEGAL PROESSING, HE WENT ON TO DELCARE, "THE INTELLIGENCE SERVICES HAVE BEEN FOLLOWING CLOSELY THE COMMUNIST INFILTRATION INTO ORGANS OF COMMUNICATION, PROFESSIONAL ORGANIZATIONS, IN PUBLIC ADMINISTRATION, PARTICULARLY IN THE AREA OF CONFIDENTIAL

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TEACHING, AND ALSO IN THE POLITICAL PARTIES. THE PARTICIPATION OF SUBVERSIVE AGENTS WAS PROVEN IN THE PILLAGING (WHICH) OCCURRED RECENTLY IN THE SUBURB TRAINS OF RIO DE JANEIRO, (AND THERE IS) BEING EXAMINED THE PROBABLE HYPOTHESIS THAT ACTS OF SABOTAGE HAVE BEEN CARRIED OUT THERE. RECORDED ALSO WAS THE ACTION OF THESE ELEMENTS ON THE OCCASION OF THE RECENT FLOOD IN RECIFE, PROPAGATING THE FALSE NEWS OF THE BURSTING OF TAPACURA DAM, WHICH CAUSED PANIC IN THE POPULATION".

F. GEISEL THEN TURNED TO DISTENSION, SAYING THAT SINCE HE HAD USED THE WORD IN HIS AUGUST 29 SPEECH, MUCH COMMENT HAD FOCUSED ON SUPPOSED "INTENTIONS, OBJECTIVES, ADVANCES, STEPS BACK, SUBMISSION TO PRESSURES, ETC." WHICH ARE UNTRUE AND WHICH BEYOND THE INTRIGUE AND NEGATIVE ACTION THEY CONTAIN, SOMETIMES REFLECT MERELY THE IMAGINATION OR THE DESIRES OF THE AUTHORS. HE SAID THAT DISTENSION IS "THERE" PRESENTED WITH AN EXCLUSIVELY POLITICAL CONNOTATION, LOOKING TOWARD THE ESTABLISHMENT OF "THE SO-CALLED STATE OF LAW THROUGH THE PURE AND SIMPLE SUPPRESSION OF IA-5 AND, COMPLEMENTARILY, THE REVOKING OF DECREE-LAW 477, THE REVISION OF THE SECURITY LAW, (AND) THE GRANTING OF BROAD AMNESTY. CALLED FOR ALSO IS THE REFORM OF THE CONSTITUTION, WITH THE REDUCTION OF THE POWERS OF THE EXECUTIVE, CONSIDERED EXCESSIVE, AND THE BROADENING OF THE ATTRIBUTES OF THE LEGISLATIVE". SAYING THESE PROPOSITIONS REFLECT A NOSTALGIA FOR A HYPOCRITICAL, ILLUSORY, AND "NOT VERY REMOTE" PAST, GEISEL WENT ON TO DECLARE HE BELIEVED MUCH HAS BEEN DONE IN HIS GOVERNMENT "IN THE SENSE OF DISTENSION IN THE POLITICAL AREA ITSELF... BUT DISTENSION SHOULD NOT BE ONLY POLITICAL, OR EVEN PREDOMINANTLY POLITICAL". REITERATING AN EARLIER SPEECH'S CALL FOR INTEGRATED DEVELOPMENT AMONG THE SOCIAL, ECONOMIC, AND POLITICAL SECTORS, GEISEL LISTED EXAMPLES OF WHAT CONSTITUTES DISTENSION -- THAT IS, "THE ATTENUATION, IF NOT, THE ELIMINATION, OF MULTIFORM TENSIONS"-- INCLUDING HIGHER SALARIES, FREE MEDICINE FOR THE NEEDY, THE ELIMINATION OF FOOD LINES, GREATER ACCESS TO HIGHER EDUCATION, AND SHARING OF FEDERAL REVENUE WITH STATES AND CITIES, "I REITERATE, ONCE AGAIN, THE PURPOSES OF PURSUING POLITICAL DEVELOPMENT, WITHOUT ANY KIND OF COMPROMISE WITH FORMULAS (THAT ARE) OUTMODED AND DEMONSTRATEDLY INADEQUATE TO THE BRAZILIAN REALITY". REPEATING HIS EARLIER CALL FOR THE POLITICIANS TO CONTRIBUTE TO THE IMPROVEMENT OF INSTITUTIONS, HE REFERRED TO THE NEED FOR "VIGILANCE IN DEFENSE OF THE SPIRITUAL AND MORAL VALUES OF OUR DEMOCRATIC CULTURE",

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REJECTED "MERE ABSTRACTIONS" AS "GENERALLY" HIDING ULTERIOR AND ANTI-DEMOCRATIC MOTIVES, AND DECLARED "THE GOVERNMENT WILL NOT LET GO OF THE EXCEPTIONAL POWERS AT ITS DISPOSAL, NOR WILL IT ALLOW, UNDER ANY GUISE, PRESSURES FROM FACTIONS OF INTEREST GROUPS...".

2. PUBLIC REACTION AMONG MEMBERS OF GOVERNMENT ARENA PARTY TENDED TO PRAISE THE SPEECH FOR ITS CLARITY AND STRENGTH (SENATOR JARBAS PASSARINHO: "SOBER, SERENE, LIMITING, AND ENERGETIC, WITHOUT BEING PROVOCATORY"; SENATOR DINARTE MARIZ: "CLEAR, PRECISE, COURAGEOUS, AND REALISTIC"), AND/OR TO ASSERT THAT IT REPRESENTED NO SHIFT IN POLICY (CHAMBER MAJORITY LEADER CELIO BORJA: "HIS WORDS DO NOT SIGNIFY A CHANGE IN DIRECTION"; DEPUTY GERALDO BULHOES: "SHOWED CLEARLY THAT THE PRESIDENT IS FOLLOWING THE SAME LINE DRAWN AND

CONTAINED IN EARLY STATEMENTS"; DEPUTY PRISCO VIANA:  
"REAFFIRMED CONCEPTS AND ALSO COMMITMENTS IN THE SAME LINE AS HIS  
STATEMENTS SINCE HE WAS A CANDIDATE"). IN SUPPORT OF THE SECOND  
POINT, VARIOUS ARENISTAS ALSO POINTED TO GEISEL'S REITERATION  
OF HIS CALL TO POLITICIANS TO CONTRIBUTE TO INSTITUTIONAL  
IMPROVEMENT. THE OPPOSITION MDB TOOK A DIFFERENT LINE, WITH  
DEPUTY PAES DE ANDRADE CALLING THE SPEECH  
SURPRISING AND FAILING TO MEET THE NATION'S HOPES WITH REGARD  
TO DISTENSION. CHAMBER MINORITY LEADER LAERTE VIERA DECLARED  
HIMSELF "DISENCHANTED" BY THE SPEECH, AND SAID IT SIGNALLED THE  
SAME ABANDONMENT OF DEMOCRATIC PROMISES WHICH OCCURRED IN  
PREVIOUS POST-1964 GOVERNMENTS. SENATOR MARCOS FREIRE ASKED  
INCREDULOUSLY, "ONLY SOCIAL", AND LAMENTED THE "MINIMIZING OF  
THE POLITICAL CONNOTATION OF THE PROCESS OF DISTENSION".  
HE ALSO CALLED "STRANGE" THE ALLUSIONS TO SUBVERSIVE ELEMENTS  
IN CONNECTION WITH THE RIO RAILROAD PROBLEMS AND THE RECIFE  
FLOOD.

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INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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3. PRESS COMMENT WAS ALSO MIXED, ALONG SIMILAR LINES. WHILE VARIOUS  
ANALYSES HAILED THE SPEECH AS TIMELY AND CLEAR, THERE WAS FLAT  
CONTRADICTION WITH REGARD TO ITS SIGNIFICANCE FOR DISTENSION.  
ARGUED A FOLHA DE SAO PAULO EDITORIALIST (WHILE NOTING THE SPEECH  
CONTAINED SOME REPRIMAND). " ALTHOUGH HIS PROGNOSIS IS APPARENTLY NOT

AT ALL OPTIMISTIC FOR THE POLITICAL OPENING... IN DISCUSSING IT (DISTENSION), HE PRACTICES IT. IN CARRYING IT TO THE NATION, HE EXERCISES IT. IN DELIMITING IT, HHE RECOGNIZES IT. IT IS THE SLOW AND SURE PROCES WHICH GEISEL PROMISED BEFORE AND WHICH, IN SPITE OF THE FEARS, CONTINUES ON ITS COURSE". IN A SUBSEQUENT EDITORIAL, THE PAPER DECLARED, " THE REVOLUTION IS FOLLOWING UNSHAKABLY THE GENEROUS IDEALS WHICH INSPIRED IT, PROCEEDING BY STRIDES TOWARD THE CONSTRUCTION OF A DEMOCRATIC REGIME AND TOWARD ECONOMIC AND SOCIAL DEVELOPMENT". EDITORIALIZED THE JORNAL DO BRASIL (AFTER REFERRING TO THE GOVERNMENT'S APPARENT DESIRE TO EMPHASIZE THE "SOCIAL DIMENSION OF DISTENSION"), "THE POINT IS POSITIVE, AS LONG AS THERE IS AVOIDED THE RISK OF TRANSFORMING DISTENSION INTO AN END, WHEN IT HAS THE QUALITY OF A MEANS TO REACH AN END, DEMOCRACY". IN A COMMENT UNDER THE HEADLINE, "SPEECH SHOWS THAT DISTENSION CAME TO A STANDSTILL", O ESTADO DE SAO PAULO'S BRASILIA BUREAU CHIEF, CARLOS CHAGAS, SIGNALLED GEISEL'S REAFFIRMATION OF THE TWO-PARTY SYSTEM, CALLED WORTHY OF MORE ANALYSIS HIS POINTS ABOUT COMMUNIST

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INFILTRATION AND SUBVERSIVE ACTION, AND DECLARED THAT IN PROMISING TO RETAIN THE EXCEPTIONAL MEASURES AND AT THE SAME TIME REAFFIRMING THE IDEAL OF CONSTANT IMPROVEMENT OF THE SYSTEM, "PRESIDENT GEISEL LEFT THINGS EXACTLY AS THEY WERE, IN POLITICO-INSTITUTIONAL TERMS. AND HE GAVE THE IMPRESSION THAT THEY WILL CONTINUE THUS, PROBABLY UNTIL THE END OF HIS GOVERNMENT". SUBSEQUENT COMMENT IN THE SAME PAPER DEDUCED THAT A "PERIOD OF POLITICAL HIBERNATION" WOULD LAST AT LEAST UNTIL AFTER NEXT YEAR'S ELECTIONS, A DISAPPOINTMENT TO THOSE WHO HAD PLANNED TO SUBMIT SUGGESTIONS FOR CONSTITUTIONAL REFORM. CALLED "THE MOST DISQUIETING POINT OF THE PRESIDENTIAL TALK" WAS THE REFERENCE TO COMMUNIST INFILTRATION IN THE PARTIES. THE SUNDAY LEAD EDITORIAL IN THE PRESTIGIOUS SAO PAULO DAILY EXPRESSED "A FEELING OF MELANCHOLY, STIMULATED, PERHAPS, BY THE CONVICTION THAT THE HOPES WHICH WERE NOURISHED IN THE PAST WERE MERE ILLUSIONS". NOTING THAT NEWS OF THE SPEECH HAD AROUSED EXPECTATIONS, THE PAPER WENT ON TO DECLARE THAT GEISEL'S DEFINITION OF DISTENSION WAS NOT THAT OF "THE BRAZILIAN COLLECTIVITY", AND THAT IN FACT DISTENSION IS INVOLVED WITH A "STATE OF LAW IN WHICH ALL ARE EQUAL BEFORE THE LAW, NO ONE PUTS HIMSELF ABOVE IT OR EXEMPTS HIMSELF FROM OBEYING IT THROUGH FUNCTIONAL DIFFERENCES, AND IN WHICH IN THAT WAY IT IS POSSIBLE TO REACH 'CONSENSUS'...". IN THE SAME SUNDAY EDITION, CHAGAS HAD AN UNRELIEVEDLY GLOOMY PIECE, CITING PESSIMISM AND EVEN "STRONG DEPRESSION" IN POLITICAL CIRCLES, NOTING THAT "FOR THE FIRST TIME IN THE SEQUENCE OF STATEMENTS FROM THE CHIEF OF GOVERNMENT, THERE OCCURRED A HARDENING", SAYING THE PRESIDENT HAD "DEMOLISHED A GREAT PART OF THE HOPE" WHICH HAD EXISTED, AND FORCASTING A FURTHER ARENA ELECTORAL DEFEAT FOLLOWED BY FURTHER EXCEPTIONAL MEASURES. COLUMNIST CARLOS CASTELLO BRANCO NOTED THE GREATER EMPHASIS THE GEISEL ADMINISTRATION HAD PLACED ON DISTRIBUTION OF WEALTH AND ASSERTED THAT THE SPEECH DID NOT MEAN

GEISEL WAS CHANGING OR ABONDING HIS POLICY. CASTELLO BRANCO WENT ON, HOWEVER, TO MAKE THE POINT THAT SOME OF THE CRITICISMS IN THE SPEECH WERE NOT ENTIRELY FAIR: POLTICIANS AND JOURNALISTS ARE BOUND TO PAY PARTICULAR ATTENTION TO POLITICAL CHANGES, HE OBSERVED, THE IDEA OF PRESSURES AND COUNTER-PRESSURES WAS PREVIOUSLY MENTIONED BY GEISEL HIMSELF, AND "THE IDEA THAT DISTENSION WILL BE COMPLETED WITH THE EXTINCTION OF THE REVOLUTIONARY EDICTS IS NOT ONLY LOGICAL BUT IS EXPRESSED IN PRESIDENTIAL TEXTS".  
END UNCLASSIFIED. BEGIN CONFIDENTIAL.

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4. EMBASSY COMMENT: ON THE ECONOMIC SIDE, THE MOST SIGNIFICANT ASPECT OF THE PRESIDENT'S SPEECH WAS THE REAFFIRMATION OF HIS GOVERNMENT'S STRATEGY OF INCORPORATING, IN A PROMINENT WAY, SOCIAL OBJECTIVES IN THE FORMULATION OF ECONOMIC POLICIES. ALTHOUGH HE NEVER REFERRED SPECIFICALLY TO THE WORDS "INCOME DISTRIBUTION", CITED THE NEED TO AVOID PREJUDICE TO ACCELERATED GROWTH, AND REPEATED HIS ADHERENCE TO THE BASIC WAGE POLICY OF THE REVOLUTION, THE PRESIDENT DESCRIBED AT LENGTH THOSE MEASURES TAKEN BY HIS GOVERNMENT DESIGNED TO IMPROVE THE DISTRIBUTION OF WEALTH. THROUGH A VARIETY OF NEW FORMULAS, HE SAID, HIS GOVERNMENT WILL ATTEMPT TO DO IN THE SOCIAL AREA WHAT THE "MODELO BRASILEIRO" HAS DONE ON THE ECONOMIC FRONT. THE GEISEL GOVERNMENT'S APPROACH TO ECONOMIC GROWTH, AS HE DESCRIBED IT, IS AN INTEGRATED PROCESS. IN THIS REPSECT, GEISEL'S REFERENCES WERE CONSISTENT WITH THE REVISED SLOGAN NOW BEING USED BY SOME OF HIS MINISTERS: "THE PIE WILL BE DIVIDED AS IT GROWS" (IN CONTRAST TO THE PRE-GEISEL PRE-NOVEMBER 1974 ELECTION FORMULA: "THE PIE HAS TO GROW BEFORE IT IS DIVIDED."). GEISEL'S SPEECH MADE IT CLEAR THAT HENCEFORTH THE BEHAVIOR OF SOCIAL INDICATORS WILL RECEIVE THE SAME ATTENTION AS THAT OF THE TRADITIONAL ECONOMIC INDICATORS.

5. IT SEEMS TO US ENTIRELY PROBABLE THAT THE PRESIDENT'S STRESS ON SOCIAL SERVICES IS DIRECTLY CONNECTED WITH AN IMPORTANT ELEMENT OF THE IMPASSE DISCUSSED REFTTEL. THAT IS, HE MAY WELL HOPE THAT IMPROVING THE BREAD-AND-BUTTER TREATMENT OF BRAZIL'S MASSES WILL BOLSTER ARENA'S ELECTORAL PROSPECTS TO THE POINT THAT IT WOULD ACTUALLY WIN THE NOVEMBER 1976 ELECTIONS. ON THE OTHER HAND, IF THE POLITICAL HARDENING REPRESENTED IN THIS SPEECH UNDERCUTS THE EFFORT, OR IF FOR ANY REASON THE "SOCIAL-SERVICES" ELECTORAL TACTIC IS SEEN NOT TO BE CATCHING ON, THE VIABILITY OF THE ELECTIONS TMEMSELVES COULD WELL COME INTO QUESTION.

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INFO AMCONSUL RIO DE JANEIRO

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6. OF MORE IMMEDIATE CONCERN, WERE GEISEL'S REMARKS ON SECURITY AND POLITICS. THE SPEECH HAD BEEN EAGERLY AWAITED SINCE ITS ANNOUNCEMENT (SEE REFTEL PARA 10) FOR AUTHORITATIVE WORD ON SUCH SPECIFICS AS THE QUESTION OF PARTY REFORMULATION, AND ON WHAT THE GENERAL DIRECTION OF DISTENSION WOULD BE DURING THE SESSION OF CONGRESS THAT OFFICIALLY GOT UNDER WAY AUGUST 1.

7. JUST PRIOR TO THE SPEECH, ANTI-DISTENSION ELEMENTS RECEIVED WHAT WAS FOR THEM DOUBTLESS AN UNHAPPY SURPRISE, WHEN, CONTRARY TO VIRTUALLY ALL EXPECTATION, GEISEL'S CIVIL HOUSEHOLD CHIEF, GENERAL GOLBERY, FORMALLY REASSUMED AT LEAST SOME OF HIS DUTIES JULY 31: THE PRESS, BROADLY PRO-DISTENSION, GAVE THE EVENT ALMOST FESTIVE COVERAGE. ON THE OTHER HAND, THE SPEECH ITSELF CONTAINS MUCH TO GLADDEN THE HARD LINE AND SEVERELY DISCOURAGE THE PRO-DISTENSION CAMP, PARTICULARLY GEISEL'S REMARKS ABOUT SUBVERSIVE ACTION IN THE RIO TRIN SITUATION AND IN RECIFE: AS SUGGESTED REFTEL (PARA 13), SUCH ANALYSIS WAS PREVIOUSLY RESTRICTED TO HARD-LINE CIRCLES. EVEN MORE OMINOUS WAS HIS FLAT DECLARATION OF WIDESPREAD COMMUNIST INFILTRATION (INCLUDING THE STARTLING IMPLICATION THAT ARENA IS AFFECTED), WHICH CREATES A POSSIBLE BASE FOR A WITCH-HUNT OF CONSIDERABLE PROPORTIONS.

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8. IT IS TRUE, AS OBSERVERS HAVE ALREADY POINTED OUT, THAT IN

BOTH DECLARING HE WILL RETAIN THE EXCEPTIONAL MEASURES AND CALLING FOR POLITICIANS TO CONTRIBUTE TO INSTITUTIONAL IMPROVEMENT (AND THEREBY TO POLITICAL DEVELOPMENT), GEISEL REMAINED BROADLY CONSISTENT WITH PREVIOUS STATEMENTS. HE DID NOT RULE OUT POLITICAL DEVELOPMENT (INDEED, HE SPECIFICALLY ALLOWED FOR IT), AND HE RATIFIED THE ADVANCES OF DISTENSION ALREADY MADE DURING HIS ADMINISTRATION. THE NEW ELEMENTS, THEN, ARE HIS ECHO OF HARD-LINE VIEWS (PRECEDING PARAGRAPH) AND HIS NEW DEFINITION OF DISTENSION. THE LATTER, BROADENING AND DILUTING THE CONCEPT (WHICH AS THE PRESS COMMENT MADE CLEAR WAS PREVIOUSLY CONSIDERED BY ALL TO BE ALMOST EXCLUSIVELY POLITICAL), REPRESENTS A CLEAR AND UNMISTAKABLE MESSAGE: FRESH ADVANCES, EITHER FUNCTIONAL OR INSTITUTIONAL, TOWARD DEMOCRACY ARE NOT TO BE ANTICIPATED OR SOUGHT, AT LEAST NOT BEFORE NEXT YEAR'S ELECTIONS AND PERHAPS NOT AT ALL DURING GEISEL'S ADMINISTRATION. THERE ARE THOSE, OF COURSE, WHO WILL WISH TO IGNORE THE MESSAGE AND CONTINUE TO PUSH FOR THE ESTABLISHMENT OF GREATER POLITICAL FREEDOMS: THAT IS WHERE THE FIRST NEW ELEMENT--THE RAISING OF THE COMMUNIST SPECTER AND ITS IMPLICATIONS-- COMES IN. IN SUM, DISTENSION AS ORIGINALLY INTERPRETED-- WITH ENCOURAGEMENT FROM THE PLANALTO PALACE-- HAS BEEN SUBSTANTIALLY EMPTIED OF MEANING AND ITS PROPONENTS WARNED. END COMMENT.

CRIMMINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, SPEECHES, ECONOMIC PROGRAMS, POLITICAL SITUATION, POLITICAL SUMMARIES, PUBLIC ATTITUDES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 10  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 BRASILIA 5981  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 SEP 2003 by CunninFX>; APPROVED <01 DEC 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GEISEL SPEECH PRAISES ECONOMY, STRESSES SOCIAL PROGRAMS, PLAYS DOWN POLITICS  
**TAGS:** PINT, ECON, PGOV, BR, (GEISEL, ERNESTO)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006